



OHIO AUDITOR OF STATE
KEITH FABER



**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

FOR FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Auglaize County Educational Academy
Auglaize County
1045 Dearbaugh Avenue, Suite 2
Wapakoneta, Ohio 45895

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Auglaize County Educational Academy, Auglaize County, Ohio (the AEA), as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the AEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the AEA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the AEA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the AEA as of June 30, 2020 and 2019, and the changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the AEA to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 10 to the June 30, 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the AEA. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021, on our consideration of the AEA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the AEA's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2021

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The discussion and analysis of the Auglaize County Educational Academy’s (the “AEA”) financial performance provides an overall review of the AEA’s financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the AEA’s financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the AEA’s financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position was \$151,767 at June 30, 2020.
- The AEA had operating receipts of \$620,029 and operating disbursements of \$952,904 for fiscal year 2020.
- The AEA also received \$238,302 in non-operating receipts during fiscal year 2020.
- Total change in net position for fiscal year 2020 was a decrease of \$94,573, from a beginning balance of \$246,340 to a balance of \$151,767.

Using these Cash Basis Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the AEA’s financial activities. The statement of net position – cash basis and statement of receipts, disbursements and change in net position – cash basis provide information about the activities of the AEA.

Reporting the Academy’s Financial Activities

Statement of Net Position and the Statement of Receipts, Disbursements and Change in Net Position - Cash Basis

These documents look at all financial transactions and ask the question, “How did the AEA do financially during 2020?” The statement of net position - cash basis and the statement of receipts, disbursements and change in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and expenditures if the cash is actually received or paid.

These two statements report the AEA’s net position and change in net position on a cash basis. This change in net position is important because it tells the reader that, for the AEA as a whole, the cash basis financial position of the AEA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 9-12 of this report.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The table below provides a summary of the AEA net position at June 30, 2020 and 2019:

	Net Position	
	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets	<u>\$ 151,767</u>	<u>\$ 246,340</u>
 Total assets	 <u>151,767</u>	 <u>246,340</u>
<u>Net Position</u>		
Restricted	28,405	1,700
Unrestricted	<u>123,362</u>	<u>244,640</u>
 Total net position	 <u><u>\$ 151,767</u></u>	 <u><u>\$ 246,340</u></u>

Over time, net cash position can serve as a useful indicator of a government's financial position. Total net position of the AEA decreased \$94,573, which represents a 38.39% decrease from net position at June 30, 2020. The unrestricted net cash balance of \$123,362 may be used for the AEA's ongoing operations.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The table below shows the changes in net position for fiscal year 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<u>Operating Receipts</u>		
Charges for services	\$ 73,513	\$ 81,125
Foundation payments	544,797	561,475
Other	<u>1,719</u>	<u>1,021</u>
Total operating receipts	<u>620,029</u>	<u>643,621</u>
<u>Operating Disbursements</u>		
Purchased services	899,751	735,034
Materials and supplies	29,590	10,679
Capital outlay	-	777
Other	<u>23,563</u>	<u>-</u>
Total operating disbursements	<u>952,904</u>	<u>746,490</u>
<u>Non-operating receipts</u>		
Interest earnings	2,185	2,246
Grants and subsidies	<u>236,117</u>	<u>8,343</u>
Total non-operating receipts	<u>238,302</u>	<u>10,589</u>
Change in net position	(94,573)	(92,280)
Net position at beginning of year	<u>246,340</u>	<u>338,620</u>
Net position at end of year	<u>\$ 151,767</u>	<u>\$ 246,340</u>

Charges for services decreased as a result of a decrease in receipts collected for virtual school fees in fiscal year 2020. The AEA received less funding from foundation revenue during fiscal year 2020 due to a decrease in student enrollment. Non-operating grants increased due to more funding received in fiscal year 2020 from federal programs like IDEA, Part B, and Title I. The increase in disbursements was primarily in the area of purchased services.

Capital Assets and Debt Administration

Capital Assets

The AEA does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

Debt Administration

The AEA does not have any debt obligations outstanding as of June 30, 2020.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Current Financial Related Activities

Effective July 1, 2018, the AEA's sponsor changed to the Buckeye Community Hope Foundation. The AEA is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the AEA's students, the AEA will apply resources to best meet the needs of its students. It is the intent of the AEA to apply for other State and Federal funds that are made available to finance its operations.

Contacting the AEA's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the AEA's finances and to show the AEA's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Kristy Weaks, Treasurer, Auglaize County Educational Service Center, 1045 Dearbaugh Ave, Suite 2, Wapakoneta, OH 45895, or email at kweaks@auglaizeesc.org.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 151,767
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Net position:

Restricted for:

State programs	\$ 28,055
Federal programs	350
Unrestricted.	<u>123,362</u>
Total net position.	<u>\$ 151,767</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating receipts:	
Charges for services.	\$ 73,513
Foundation revenue	544,797
Miscellaneous receipts.	1,719
Total operating receipts	620,029
 Operating disbursements:	
Purchased services.	899,751
Materials and supplies.	29,590
Other disbursements.	23,563
Total operating disbursements.	952,904
Operating loss	(332,875)
 Non-operating receipts:	
Interest.	2,185
Grants.	236,117
Total non-operating receipts.	238,302
Change in net position	(94,573)
Net position at beginning of year.	246,340
Net position at end of year	\$ 151,767

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE ENTITY

Auglaize County Educational Academy (AEA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. AEA's objective is to provide education opportunities through a virtual curriculum for students in kindergarten through twelfth grade. AEA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. AEA may acquire facilities as needed and contract for any services necessary for the operation of the school.

AEA was approved for operation under a contract with the Auglaize County Educational Service Center for a five-year period commencing on the first day of the 2003 academic year. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008, and expired on June 30, 2013. The contract was renewed for a five-year period commencing on July 1, 2013. The Buckeye Community Hope Foundation became the sponsor of AEA effective July 1, 2018. The sponsor is responsible for evaluating the performance of AEA and has the authority to deny renewal of the contract at its expiration. Auglaize County Educational Service Center is the fiscal agent of AEA with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for AEA.

AEA operates under the direction of a six-member Board of Directors made up of the Superintendents from the participating school districts. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2020, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the AEA's accounting policies.

A. Basis of Presentation

AEA's basic financial statements consist of a statement of net position- cash basis and a statement of receipts, disbursements, and change in net position - cash basis.

AEA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, and financial position. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Basis of Accounting

AEA's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in AEA's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures and liabilities) are not recorded in the financial statements.

C. Budgetary Basis

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by AEA's contract with its Sponsor. The contract between AEA and its Sponsor does prescribe an annual budget requirement.

D. Cash and Cash Equivalents

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position - cash basis. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2020, AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

E. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

F. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of AEA. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of AEA. All receipts and disbursements not meeting this definition are reported as non-operating.

NOTE 3 - DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the AEA's bank balance of \$339,347 was covered by the FDIC. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject AEA to a successful claim by the FDIC.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - RISK MANAGEMENT

AEA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, AEA obtained insurance coverage through the Auglaize County Educational Service Center's insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$15,000,000
Aggregate	17,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

NOTE 5 - FISCAL AGENT

The agreement with the Auglaize County Educational Service Center states the Treasurer of the Auglaize County Educational Service Center shall serve as the Treasurer of AEA. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of AEA:

- Maintain the financial records of AEA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- Comply with the policies and procedures regarding internal financial control of AEA; and,
- Comply with the requirements and procedures for financial audits by the Auditor of the State.

NOTE 6 - RELATED PARTY TRANSACTIONS

In fiscal year 2020, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$730,285. The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries	\$ 597,513
Fringe Benefits	120,321
Purchased Services	3,689
Supplies and Materials	<u>8,762</u>
 Total	 <u>\$ 730,285</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 7 - CONTINGIENCES

A. Grants

AEA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of AEA at June 30, 2020.

B. Litigation

There are currently no matters in litigation with the AEA as a defendant.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusions of this review could result in State funding being adjusted. The AEA was underpaid \$7,812 in fiscal year 2020 and a receipt will be received from the Ohio Department of Education.

NOTE 8 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the AEA to prepare its annual financial report in accordance with generally accepted accounting principles. However, the AEA prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The AEA can be fined and various other administrative remedies may be taken against the AEA.

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2020, expenses for purchased services were as follows:

	<u>Amount</u>
Professional and Technical Services	\$ 886,324
Property services	8,262
Administrative/Meeting Expenses	1,934
Tuition	2,436
Other Purchases	<u>795</u>
Total	<u><u>\$ 899,751</u></u>

NOTE 10 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the AEA. In addition, the impact on the AEA's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The discussion and analysis of the Auglaize County Educational Academy's (the "AEA") financial performance provides an overall review of the AEA's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the AEA's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the AEA's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position was \$246,340 at June 30, 2019.
- The AEA had operating receipts of \$643,621 and operating disbursements of \$746,490 for fiscal year 2019.
- The AEA also received \$10,589 in non-operating receipts during fiscal year 2019.
- Total change in net position for fiscal year 2019 was an decrease of \$92,280, from a beginning balance of \$338,620 to a balance of \$246,340.

Using these Cash Basis Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the AEA's financial activities. The statement of net position – cash basis and statement of receipts, disbursements and change in net position – cash basis provide information about the activities of the AEA.

Reporting the Academy's Financial Activities

Statement of Net Position and the Statement of Receipts, Disbursements and Change in Net Position - Cash Basis

These documents look at all financial transactions and ask the question, "How did the AEA do financially during 2019?" The statement of net position - cash basis and the statement of receipts, disbursements and change in net position – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and expenditures if the cash is actually received or paid.

These two statements report the AEA's net position and change in net position on a cash basis. This change in net position is important because it tells the reader that, for the AEA as a whole, the cash basis financial position of the AEA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 17 and 18 of this report.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The table below provides a summary of the AEA net position for fiscal years 2019 and 2018.

	Net Position	
	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets	\$ 246,340	\$ 338,620
Total assets	<u>246,340</u>	<u>338,620</u>
<u>Net Position</u>		
Restricted	1,700	410
Unrestricted	<u>244,640</u>	<u>338,210</u>
Total net position	<u>\$ 246,340</u>	<u>\$ 338,620</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. Total net position of the AEA decreased \$92,280, which represents a 27.25% decrease from net position at June 30, 2019. The unrestricted net cash balance of \$244,640 may be used for the AEA's ongoing operations.

The table below shows the changes in net position for fiscal year 2019 and 2018.

	<u>2019</u>	<u>2020</u>
<u>Operating Receipts</u>		
Charges for services	\$ 81,125	\$ 158,020
Foundation payments	561,475	743,617
Other	<u>1,021</u>	<u>3,490</u>
Total operating receipts	<u>643,621</u>	<u>905,127</u>
<u>Operating Disbursements</u>		
Purchased services	735,034	687,977
Materials and supplies	10,679	35,825
Capital outlay	777	-
Other	<u>-</u>	<u>284</u>
Total operating disbursements	<u>746,490</u>	<u>724,086</u>
<u>Non-operating receipts</u>		
Interest earnings	2,246	452
Grants and subsidies	<u>8,343</u>	<u>17,090</u>
Total non-operating receipts	<u>10,589</u>	<u>17,542</u>
Change in net position	(92,280)	198,583
Net position at beginning of year	<u>338,620</u>	<u>140,037</u>
Net position at end of year	<u>\$ 246,340</u>	<u>\$ 338,620</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Charges for services decreased as a result of a decrease in receipts collected for virtual school fees in fiscal year 2019. The AEA received less funding from foundation revenue during fiscal year 2019 due to a decrease in student enrollment. Federal grants decreased due to less funding received in fiscal year 2019 from federal programs. The increase in disbursements was primarily in the area of purchased services.

Capital Assets and Debt Administration

Capital Assets

The AEA does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

Debt Administration

The AEA does not have any debt obligations outstanding as of June 30, 2019.

Current Financial Related Activities

Effective July 1, 2018, the AEA's sponsor changed to the Buckeye Community Hope Foundation. The AEA is reliant upon State Foundation monies and Federal Sub-Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the AEA's students, the AEA will apply resources to best meet the needs of its students. It is the intent of the AEA to apply for other State and Federal funds that are made available to finance its operations.

Contacting the AEA's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the AEA's finances and to show the AEA's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Kristy Weaks, Treasurer, Auglaize County Educational Service Center, 1045 Dearbaugh Ave, Suite 2, Wapakoneta, OH 45895, or email at kweaks@auglaizeesc.org.

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**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019

Assets:

Current assets:

Equity in pooled cash and cash equivalents	<u>\$ 246,340</u>
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Net position:

Restricted for:

State programs.	\$ 1,350
Federal programs	350
Unrestricted.	<u>244,640</u>
Total net position.	<u>\$ 246,340</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating receipts:	
Charges for services.	\$ 81,125
Foundation revenue	561,475
Miscellaneous receipts.	1,021
Total operating receipts	<u>643,621</u>
 Operating disbursements:	
Purchased services.	735,034
Materials and supplies.	10,679
Capital outlay	777
Total operating disbursements.	<u>746,490</u>
 Operating loss	 <u>(102,869)</u>
 Non-operating receipts:	
Interest.	2,246
Grants.	8,343
Total non-operating receipts.	<u>10,589</u>
 Change in net position	 (92,280)
 Net position at beginning of year.	 <u>338,620</u>
 Net position at end of year	 <u>\$ 246,340</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE ENTITY

Auglaize County Educational Academy (AEA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. AEA's objective is to provide education opportunities through a virtual curriculum for students in kindergarten through twelfth grade. AEA, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. AEA may acquire facilities as needed and contract for any services necessary for the operation of the school.

AEA was approved for operation under a contract with the Auglaize County Educational Service Center for a five-year period commencing on the first day of the 2003 academic year. AEA became operational in November 2004. The contract was subsequently renewed for an additional five-year period commencing on July 1, 2008, and expired on June 30, 2013. The contract was renewed for a five-year period commencing on July 1, 2013. The Buckeye Community Hope Foundation became the sponsor of AEA effective July 1, 2018. The sponsor is responsible for evaluating the performance of AEA and has the authority to deny renewal of the contract at its expiration. Auglaize County Educational Service Center is the fiscal agent of AEA with the Treasurer of Auglaize County Educational Service Center performing the role of Treasurer for AEA.

AEA operates under the direction of a six-member Board of Directors made up of the Superintendents from the participating school districts. The Board of Directors is responsible to help create, approve, and monitor AEA's annual budget, develop policies to guide the operation of AEA, and maintain a commitment to the vision, mission, and belief statements of AEA and the children it serves.

During fiscal year 2019, AEA purchased services from the Auglaize County Educational Service Center to provide instructional, professional development, administrative, and curriculum development services for AEA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the AEA's accounting policies.

A. Basis of Presentation

AEA's basic financial statements consist of a statement of net position - cash basis and a statement of receipts, disbursements, and change in net position - cash basis.

AEA uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, change in net position, and financial position. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Accounting

AEA's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in AEA's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures and liabilities) are not recorded in the financial statements.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by AEA's contract with its Sponsor. The contract between AEA and its Sponsor does prescribe an annual budget requirement.

D. Cash and Cash Equivalents

Cash and cash equivalents held by AEA are reflected as "Equity in Pooled Cash and Cash Equivalents" on the statement of net position - cash basis. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2019, AEA's investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

E. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. AEA first applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

F. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of AEA. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of AEA. All receipts and disbursements not meeting this definition are reported as non-operating.

NOTE 3 - DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, AEA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the AEA's bank balance of \$257,203 was covered by the FDIC. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject AEA to a successful claim by the FDIC.

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - RISK MANAGEMENT

AEA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, AEA obtained insurance coverage through the Auglaize County Educational Service Center’s insurance policy. Coverage provided by the Schools of Ohio Risk Sharing Authority to the Auglaize County Educational Service Center was as follows:

General Liability:	
Occurrence	\$ 15,000,000
Aggregate	17,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

NOTE 5 - FISCAL AGENT

The agreement with the Auglaize County Educational Service Center states the Treasurer of the Auglaize County Educational Service Center shall serve as the Treasurer of AEA. The Treasurer of the Auglaize County Educational Service Center shall perform the following functions while serving as the Treasurer of AEA:

- Maintain the financial records of AEA in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- Comply with the policies and procedures regarding internal financial control of AEA; and,
- Comply with the requirements and procedures for financial audits by the Auditor of the State.

NOTE 6 - RELATED PARTY TRANSACTIONS

In fiscal year 2019, services and supplies were obtained from the Auglaize County Educational Service Center by AEA, in the amount of \$648,570. The amount of these services and supplies was as follows:

	<u>Amount</u>
Salaries	\$ 524,058
Fringe Benefits	112,370
Purchased Services	3,282
Supplies and Materials	8,762
Other	<u>98</u>
Total	<u>\$ 648,570</u>

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7 - CONTINGIENCES

A. Grants

AEA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of AEA at June 30, 2019.

B. Litigation

There are currently no matters in litigation with the AEA as a defendant.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The conclusions of this review could result in State funding being adjusted. The AEA was underpaid \$7,141 in fiscal year 2019 and a receipt will be received from the Ohio Department of Education.

NOTE 8 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the AEA to prepare its annual financial report in accordance with generally accepted accounting principles. However, the AEA prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The AEA can be fined and various other administrative remedies may be taken against the AEA.

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2019, expenses for purchased services were as follows:

Professional and technical services	\$ 685,597
Administrative/meeting expenses	1,572
Tuition	3,533
Other purchases	<u>44,332</u>
Total	<u>\$ 735,034</u>

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Auglaize County Educational Academy
Auglaize County
1045 Dearbaugh Avenue, Suite 2
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Auglaize County Educational Academy, Auglaize County, (the AEA) as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the AEA's basic financial statements and have issued our report thereon dated March 12, 2021, wherein we noted the AEA uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the AEA.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the AEA's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the AEA's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the AEA's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the AEA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-001 and 2020-002.

AEA's Response to Findings

The AEA's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the AEA's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the AEA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the AEA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2021

**AUGLAIZE COUNTY EDUCATIONAL ACADEMY
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Failure to File GAAP - Noncompliance

Ohio Rev. Code §117.38(A) provides that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Academy to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The Academy prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the Academy’s ability to evaluate and monitor the overall financial condition of the Academy. To help provide the users with more meaningful financial statements, the Academy should prepare its annual financial statements according to generally accepted accounting principles.

Officials’ Response: Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statement on a cash basis is a better way to allocate those funds.

FINDING NUMBER 2020-002

Lack of Detailed Alternative Logs – Noncompliance and Material Weakness

Ohio Rev. Code § 3314.08(H)(3), in part, states that the Ohio Department of Education (ODE) shall determine each community school student’s percentage of full-time equivalency based on the percentage of learning opportunities offered by the community school to that student, reported either as number of hours or number of days, is of the total learning opportunities offered by the community school to a student who attends for the school’s entire school year. However, no internet- or computer-based community school shall be credited for any time a student spends participating in learning opportunities beyond ten hours within any period of twenty-four consecutive hours.

**FINDING NUMBER 2020-002
(Continued)**

The Academy uses Edgenuity to record its' students computer time hours. In addition, most students also have an alternative log which is separate from Edgenuity and records non-computer time activities such as work-study hours, testing, etc. Therefore, to determine whether the students received credit for more than 10 hours of learning opportunities in one day, the alternative log hours must be added to the Edgenuity log hours. We reviewed the alternative logs and noted that in both fiscal years, there were instances where a student received credit for more than 24 hours of learning opportunities in one day on his or her alternative log. The Academy adjusts students' alternative logs as a lump sum on a quarterly basis; however, the Academy could not provide detailed documentation that shows a breakdown of how many hours were earned each day for the alternative log hours. Therefore, we were unable to determine whether students received credit for more than 10 hours of learning opportunities in one day.

The Academy should implement procedures to ensure that all learning opportunities are documented adequately. Both computer time and non-computer time documentation should be detailed enough to ensure that students are not receiving more than 10 hours of learning opportunities in one day. Failure to do so could lead to improper reporting of hours to ODE and/or loss of funding.

Officials' Response:

Student paystubs are presented as a total number of hours worked per pay period. They are not broken down by day. We enter the total number of hours worked for each pay period on the first day of the given pay period. To the extent possible, we will work with employers to gain access to schedules and modify the hours worked. ODE FTE Review in FY17- no findings

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 JUNE 30, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – Failure to File GAAP	Not Corrected	<p>Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statement on a cash-basis is a better way to allocate those funds.</p> <p>Comment first reported for fiscal year ended June 30, 2005.</p>
2018-002	Ohio Rev. Code § 3314.08(H) and Ohio Rev. Code § 3314.03(A)(11)(a) – Full-Time Equivalent (FTE Reporting)	Partially Corrected	<p>Student paystubs are presented as a total number of hours worked per pay period. They are not broken down by day. We enter the total number of hours worked for each pay period on the first day of the given pay period. To the extent possible, we will work with employers to gain access to schedules and modify the hours worked.</p> <p>ODE FTE Review in FY17- no findings</p>

OHIO AUDITOR OF STATE KEITH FABER



AUGLAIZE COUNTY EDUCATIONAL ACADEMY

AUGLAIZE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/13/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov